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AMERICAN METROPOLITAN ENTERPRISES LIMITED



# *ANNUAL REPORT*

*for the year ended 31st December, 1967*



# AMERICAN METROPOLITAN ENTERPRISES LIMITED

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**Home Office:** 3768 Bathurst Street, Downsview, Ontario, Canada

**London Office:** Kassner House, 25 Denmark Street, London, W.C.2, England

**New York Office:** 135 West 50th Street, New York, New York 10020, U.S.A.

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**Directors:**

Edward Kassner • Robert S. Brown • Arnold I. Burns • Joseph Dillinger  
William Walker • Hugh Honsberger • Margaret Illingworth

**Officers:**

Edward Kassner, *Chairman and President* • Margaret Illingworth, *Vice-President*  
David A. S. Dane, A.C.A., *Vice-President in charge of United Kingdom subsidiaries*  
Robert S. Brown, *Treasurer* • Arnold I. Burns, *Secretary*

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**Auditors:**

Warner, Blackstien & Company

**General Counsel:**

Mermelstein, Burns & Lesser, New York

**Canadian Counsel:**

Raymond & Honsberger, Toronto

**Transfer Agents:**

Canada Permanent Trust Company, Toronto

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# THE PRESIDENT'S REPORT

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It is a source of personal pleasure to present the Annual Report on the operations, financial results and the position of your Company for the fiscal year ended December 31, 1967.

Significant progress has been made. The Company reported the largest gross income since its inception, showing an increase from \$540,285 for the previous fiscal year to \$816,574, or a rise of 51%. There was a corresponding increase, 51%, in net profit after taxes, namely, \$102,350 as compared with \$67,518 for the previous fiscal year.

**Recording.** To a large extent the increase has been due to the success of President Records Limited, a wholly-owned United Kingdom subsidiary of the Company, engaged in the producing and marketing of records on the PRESIDENT label. President Records Limited, started late in 1966, was established as a full-fledged record company in the United Kingdom during 1967. Distribution arrangements have also been entered into for the Continent of Europe and the United States. A number of the groups and artists under contract have made the best-selling charts in Britain and in countries of Europe: six records made the Popular Best Selling Single Charts; six records made the Best Selling Popular Rhythm and Blues Charts; and two LP records, recorded by our group, The Equals, made the Best Selling Album Charts. President Records is now releasing singles and LPs on a regularly scheduled basis, and we look forward to the continued and increased acceptance of its records and corresponding increases in this source of revenue.

**Publishing.** Publishing activity continues to grow. It is being complemented by the Company's recording activities because of the Company's ability to offer immediate recording exposure to songwriters assigning their musical compositions to it. The Company enjoyed two hits in the United States, namely, "Portrait of My Love" and "Close Your Eyes". Several songs owned by the Company which were written by members of The Equals group became very successful in Europe. As of this writing there is an active revival in Britain of songs made famous by Bill Haley and his Comets. Your Com-

pany controls several of his songs and one of them, the famous rock and roll all-time standard, "Rock Around The Clock", has just entered the English best selling charts.

**Artist Management.** The artist management aspect of your Company's operations is becoming increasingly important. Several of the PRESIDENT label recording artists have entered into exclusive management contracts with Welbeck Productions Limited, one of our wholly-owned United Kingdom subsidiaries, which represents artists for radio and television, club dates, concerts and other personal appearances. As our artists become more and more popular, we expect this source of revenue to grow.

**New Acquisitions.** Early in 1968 your Company acquired two new wholly-owned United States subsidiaries, Select Music, Inc. and Drury Lane Music Corporation. These publishing companies own copyrights on approximately 400 songs, some of which have been written by well known composers such as Bob Merrill and Phil Ochs. Management believes that the newly acquired publishing catalogues will, with proper handling, produce important hit songs. In addition, Edizioni Musicali Edward Kassner s. r. l. Milan, in which the Company heretofore owned a 50% interest, became a wholly-owned subsidiary during 1967 by reason of the purchase by the Company of the remaining 50% interest. This successful Italian company is expected to continue contributing to the overall publishing income of the Company.

The results of the first quarter of 1968 are promising and we look forward to the coming year with optimism and renewed dedication. Thank you for your continued loyalty and support.

On behalf of the Board

EDWARD KASSNER  
Chairman and President

# AMERICAN METROPOLITAN

(Incorporated under the Laws of the State of New York)

AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

	1967	1966
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	75,097	36,867
Certificates of Deposit		225,000
Accounts Receivable	64,555	2,444
Accrued Interest Receivable		2,037
Record Inventory (at cost)	20,037	
Prepaid Expenses	17,551	11,643
Funds Held in Trust	12,078	10,817
	<u>189,318</u>	<u>288,808</u>
Advances to another company	29,842	40,226
Advances to Subsidiary, not Consolidated		55,842
<b>Investments — at cost:</b>		
Associated Companies	127,611	155,690
Mortgage Receivable	1,840	2,556
	<u>129,451</u>	<u>158,246</u>
<b>Cash Surrender Value — Life Insurance</b>	754	789
<b>Fixed Assets — at cost:</b>		
Automobile, Furniture and Fixtures	48,241	37,976
Less: Accumulated Depreciation	24,468	19,641
	<u>23,773</u>	<u>18,335</u>
<b>Other Assets:</b>		
Music Copyrights, Record Masters (Note 2)	1,743,024	1,704,305
<b>Goodwill</b>	65,000	65,000
	<u>\$2,181,162</u>	<u>\$2,331,551</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1967

### 1 — PRINCIPLES OF CONSOLIDATION

- As in previous years, income has been recorded on a cash basis with the exceptions of sheet music and record sales for which accounts receivable have been recorded. The expenses and royalty obligations are recorded on an accrual basis.
- The accounts of all subsidiary companies have been included in the consolidation. U.S. dollar balances and Sterling balances have been translated to Canadian dollars as follows: fixed assets, music copyrights and record masters at rates current at dates of acquisition; all other assets and liabilities at rates current at the end of the year; earnings at average rates throughout the period.
- The consolidated financial statements include two subsidiary companies for the year ended September 30, 1967. The directors are of the opinion that

preparation of accounts for these subsidiary companies made up to a date coincident with that of the company would cause unreasonable delay.

### 2 — MUSIC COPYRIGHTS

Additions to music copyrights during the year have been valued by reference to the excess of the cost of acquisition of new subsidiaries over the net tangible assets at the date of acquisition. No amortization of music copyrights has been provided, as in the opinion of the directors such amortization is not required as the result of new acquisitions during the year.

### 3 — LOANS PAYABLE

- According to the terms of a Trust Indenture, the company pledged certain of its assets and directed payment of all revenue from Broadcast Music Inc. to the trustees for distribution to the note holders, in accordance with the terms thereof.



# ENTERPRISES LIMITED

(Incorporated in the Province of Ontario)

ROYALTY COMPANIES

DECEMBER 31st, 1967

## LIABILITIES

	1967	1966
<b>Current Liabilities:</b>		
Bank Loan .....	10,810	75,950
Bank Loan, Secured by Certificate of Deposit .....		110,000
Accounts Payable and Accrued Expenses .....	69,843	50,850
Royalties Payable and Accrued .....	400,121	374,988
Notes and Loans Payable .....	2,224	5,464
Provision for Income and Withholding Taxes .....	34,988	32,889
Notes Payable Due in Year .....	79,350	79,530
	<u>597,336</u>	<u>729,671</u>
<b>Deferred Revenue</b> .....	18,026	17,019
<b>Due to Associated Companies</b> .....	27,907	28,120
<b>Notes Payable</b> — (Note 3a) .....	135,000	195,000
<b>Less:</b> Due in Current Year .....	60,000	60,000
	<u>75,000</u>	<u>135,000</u>
<b>Notes Payable</b> — (Note 3b) .....	72,610	92,434
<b>Less:</b> Due in Current Year .....	19,350	19,530
	<u>53,260</u>	<u>72,904</u>
<b>Due to Director</b> .....		53,665
<b>Shareholders' Equity:</b>		
Capital Stock		
Common Share, no par value		
Authorized — 2,000,000 Shares		
Issued — 1,000,070 Shares .....	1,000,070	1,000,070
<b>Retained Earnings</b> .....	409,563	295,102
	<u>1,409,633</u>	<u>1,295,172</u>
	<u>\$2,181,162</u>	<u>\$2,331,551</u>

In the event of default, as defined under the terms of the Trust Indenture, the whole of the remaining balance of \$135,000 plus twenty percent of such balance shall be payable.

- (b) During 1966 the company acquired a subsidiary company and according to the terms of purchase has agreed to pay the sum of \$1,500.00 U.S. per month principal and interest. Interest, calculated at the rate of 6% has been capitalized and recorded in the accounts.

#### 4 — ROYALTY EXPENSES

Adjustments of \$21,936 have been made arising from overprovision of prior years royalties.

#### 5 — REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total remuneration received by the directors from the company and its subsidiaries, including salaries of those directors who were employees of the companies in 1967 was \$44,996. Total remuneration received from the companies by senior employees who were not directors of the company amounted to \$29,340.

Approved on behalf of the Board,

E. KASSNER

ROBERT S. BROWN

Directors

The accompanying auditors' report to the shareholders and notes to the Consolidated Financial Statements are an integral part of these financial statements.

# AMERICAN METROPOLITAN ENTERPRISES LIMITED

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For Year Ended December 31, 1967

	1967	1966
Balance at Beginning of Year	295,102	256,881
<b>Add:</b>		
Consolidated Net Profit for Year	102,350	67,518
Adjustment re Prior Years	9,893	
Conversion of Foreign Exchange	42,841	
	<u>450,186</u>	<u>324,399</u>
<b>Deduct:</b>		
Losses of Subsidiary Not Previously Consolidated	40,623	7,095
Adjustments re Prior Years		8,765
Retained Earnings of Subsidiary not Included in 1966 Consolidated Financial Statement		6,908
Conversion of Foreign Exchange		6,529
	<u>40,623</u>	<u>29,297</u>
Balance at End of Year	<u>\$ 409,563</u>	<u>\$ 295,102</u>

## AUDITORS' REPORT TO SHAREHOLDERS

We have examined the consolidated balance sheet of American Metropolitan Enterprises Limited and its wholly owned subsidiaries as at December 31st, 1967 and the consolidated statements of operations, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have received audited consolidated financial statements reported upon by Barnett & Willens, Accountants and Management Consultants, New York, N.Y., U.S.A. and by Chalmers, Impey & Co., Chartered Accountants, London, England.

In January 1963, the company agreed to purchase the outstanding shares of Kassner Associated Publishers Limited, England, and investments representing fifty percent ownership of certain foreign companies.

The associated companies are included in the attached consolidated Balance Sheet at cost \$127,611. We did not examine financial statements of these associated companies and are unable to determine the value of this asset. However,

the president of the company has stated that the investment is substantiated by the value of the copyrights owned by these associated companies.

The value of an advance of \$29,842 shown on the consolidated balance sheet as "Advances to another company" cannot be determined by us. The President of the company has advised us that the advance is collectible.

Subject to the foregoing as set out in the preceding paragraphs, in our opinion based upon our examination of the Canadian accounts and the consolidated financial statements reported upon by Barnett & Willens, Accountants and Management Consultants, U.S.A. and Chalmers, Impey & Co., Chartered Accountants, England, the accompanying consolidated balance sheet and consolidated statement of operations and retained earnings present fairly the financial position of the company and its subsidiaries as at December 31, 1967 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as set forth in Note 4, in notes to the consolidated financial statements.

Toronto, Ontario,  
April 2, 1968.

WARNER, BLACKSTIEN & COMPANY,  
Chartered Accountants.



# AMERICAN METROPOLITAN ENTERPRISES LIMITED

## CONSOLIDATED STATEMENT OF OPERATIONS

For Year Ended December 31, 1967

	1967	1966
<b>Revenue from Music Copyrights:</b>		
Performance Income .....	152,483	188,795
Mechanical Music Royalties .....	255,757	220,382
Foreign Use of Royalties .....	123,958	105,225
Sheet Music and Folios .....	10,295	18,751
	542,493	533,153
Sale of Records .....	178,820	
Revenue from Record Masters and Artists Contracts .....	72,648	5,048
Management Fees — Associated Companies .....	22,613	2,085
	274,081	7,133
<b>Total Income</b> .....	<b>816,574</b>	<b>540,286</b>
<b>Cost of Sales:</b>		
Music Copyrights		
Royalty Expense — Composers, Original Publishers and Recording Artists (Note 4) .....	192,779	159,358
Record Sessions, Printing of Sheet Music, Copyrights, etc. ....	6,316	12,672
Phonograph Records		
Copyrights, Artists and Licensors Royalties .....	95,060	
Cost of Records .....	55,083	
Recording Expenses .....	5,492	
	354,730	172,030
<b>Gross Profit</b> .....	<b>461,844</b>	<b>368,256</b>
<b>Operating Expenses:</b>		
Salaries, Advertising, Promotion and Professional .....	198,068	157,180
Administration Expenses .....	134,471	112,302
	332,539	269,482
	129,305	98,774
<b>Add:</b>		
Financial Income		
Interest .....	6,574	5,822
Dividends from Associated Companies .....	9,079	
	15,653	
	144,958	104,596
<b>Deduct:</b>		
Financial Expense		
Interest .....	14,463	17,425
<b>Consolidated Operating Profit for Year</b> .....	<b>130,495</b>	<b>87,171</b>
Less: Provision for Income Taxes .....	28,145	19,653
<b>Consolidated Net Profit for Year — After Depreciation of \$4,827 in 1967 and \$4,660 in 1966</b> .....	<b>\$ 102,350</b>	<b>\$ 67,518</b>

# AMERICAN METROPOLITAN ENTERPRISES LIMITED

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For Year Ended December 31, 1967

	1967	1966
<b>Source of Funds:</b>		
<b>Operations</b>		
Net Income .....	102,350	67,518
Add: Depreciation, Non Cash Item .....	4,827	4,660
	<u>107,177</u>	<u>72,178</u>
Advances to Another Company — (Decrease) .....	10,384	(40,226)
Advances to Subsidiary, Not Consolidated in 1966 — (Decrease) .....	55,842	(55,842)
Investments — (Decrease) .....	28,830	( 2,711)
Increase in Deferred Items — (Decrease) .....	1,007	( 2,284)
Adjustment re Prior Years — (Decrease) .....	9,893	( 8,765)
Advances from Director .....		28,910
Advances from Associated Companies, Net .....		9,393
Conversion of Foreign Exchange (Decrease) .....	42,841	( 6,529)
	<u>255,974</u>	<u>( 5,876)</u>
<b>Application of Funds:</b>		
Decrease in Long Term Debt .....	79,644	60,000
Music Copyrights Acquired .....	38,719	17,872
Net Increase in Fixed Assets .....	10,265	
Losses of Subsidiary Not Previously Consolidated .....	40,623	7,095
Directors Loan Repaid .....	53,665	
Decrease in Advances from Associated Companies .....	213	
Loss on Disposal of Fixed Assets .....		3,842
Retained Earnings of Subsidiary Not Consolidated .....		6,908
	<u>223,129</u>	<u>95,717</u>
<b>Increase (Decrease) in Working Capital .....</b>	<u>\$ 32,845</u>	<u>(\$ 101,593)</u>



# WHOLLY OWNED SUBSIDIARIES OF AMERICAN METROPOLITAN ENTERPRISES LIMITED

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## **U.S.A. and CANADA:**

### **Music Publishing:**

American Metropolitan Enterprises of New York, Inc.  
Berkshire Music, Inc.  
Broadway Music Corporation  
Edward Arthur Music Publishing Corp.  
Edward Kassner Music Company, Inc.  
Edward Kassner Music Co. (Canada) Ltd.  
Edwards Music Co., Inc.  
Glenbrook Music Corporation  
Jay Boy Music Corp.  
Kryder Music Corp.  
Myers Music Inc.  
Picadilly Music Corp.  
Pinelawn Music Publishing Co. Inc.  
Rush Music Corp.  
Saxon Music Corp.  
Syndicate Music, Inc.  
Tideland Music Publishing Corp.  
Town & Country Music, Inc.  
Tray Music Corp.

### **Recording:**

President Records, Inc.  
Seville Records, Inc.

### **Artist Management:**

A.M.E. Management Corp.

## **UNITED KINGDOM:**

### **Music Publishing:**

American Metro Music Limited  
The Edward Kassner Music Company Limited  
The J. Norris Music Company Limited  
Unit Productions Limited  
Cecil Lennox Limited  
City Music Limited  
Grosvenor Music Company Limited  
Myers Music Company Limited  
Rush Music Limited  
Yukon Music Limited — 60% owned  
Gale and Gayles Limited

### **Recording:**

President Records Limited

### **Artist Management and Theatrical Productions:**

Welbeck Productions Limited  
Madison Productions Limited

## **ITALY:**

### **Music Publishing:**

Edizioni Musicali Edward Kassner s.r.l. Milan

## **GERMANY:**

A.M.E. Musikverlag

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## ASSOCIATED COMPANIES (Representing 50% ownership unless indicated)

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## **U.S.A. and CANADA:**

### **Music Publishing:**

Peter Schaeffers Music Corp.  
Marian Music Corp.  
Kingsley Music Corp.  
Sid-Lee Music Corp.  
Larry Spier (Canada) Limited  
David Wilkes Music Corp.

## **UNITED KINGDOM:**

### **Music Publishing:**

First Music Limited  
Schaeffers-Kassner Limited  
Larry Spier Limited (in liquidation)  
Bens Music Limited  
Cumberland Music Limited  
Coslow Kassner Limited  
Success Music Limited — 30% owned

### **Artist Management and Recording:**

Denmark Productions Limited

## **GERMANY:**

### **Music Publishing:**

Ed Kassner Musikverlag  
Musikverlag Broadway G.m.b.H.

### **Recording:**

Broadway Platte G.m.b.H.

## **FRANCE:**

### **Music Publishing:**

Editions Monica — Paris

## **BELGIUM:**

### **Music Publishing:**

S.P.R.L. Ed Kassner Music Company — Brussels

## **SWEDEN:**

### **Music Publishing:**

Kassner Music A.B. — Stockholm  
Broadway Music A.B. — Stockholm

## **BRAZIL:**

### **Music Publishing:**

Editora Kassner — Sao Paulo  
Editora Broadway — Sao Paulo

## **HOLLAND:**

### **Music Publishing:**

N.V. Kassner — Altona — Amsterdam

## **SPAIN:**

### **Music Publishing:**

Kassner Music Espanola — Madrid

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